



The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

Volume 12, Number 2

Fall Issue

October 2003

Opinion of Value

By Mary Lou Brainerd
Board Investigator

Thirty new complaints have made this a very busy year, and we're only three-fourths of the way through 2003!

In going through the investigative process, I have noticed that the appraiser under investigation often has been through some kind of recent personal traumatic experience. While this is a real *reason*, I'm afraid it is not a valid *excuse* for turning out work that is less than it should be.

I am hoping in writing this that each of you will take special notice that when you're undergoing stress (from minor to major), your work may not be up to par. Take extra care during these times to recheck your work or have an associate read your appraisals to guard against any inconsistencies. Most appraisal software comes with a proofreader of some kind that checks for inconsistencies, too.

We all undergo stressful times, including illness, death of a loved one, divorce, and other changes that affect our ability to think clearly. Don't

See Value, page 3

FYI: Registered Appraisers

To the Board's dismay, considerable misinformation continues to exist in the appraisal community about the experience and education requirements for upgrading to State License.

Appraisers-in-training who have doubts or questions about standards, Board regulations or operating policies are urged to contact the Board's office for current *factual* information.

In more recent exam cycles, some applicants have been unable to interview and test because their supervisors failed to heed numerous notices about what constitutes compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) regarding acknowledgment of a trainee's participation. Too many appraisal reports submitted for review of work product had to be returned to the applicant with a request that they be reworked and resubmitted.

Also, several appraisers-in-training have failed to receive credit for claimed work experience performed after Jan. 1, 2002, because they DID NOT become registered in compliance with state law. The Board has decided not to give credit under those circumstances. Other points to remember include:

- * Continuing education requirements for State Registered appraisers are slightly different from those of a State Licensed/Certified appraiser.

- * An SR appraiser is required to complete 14 hours of continuing education *every year* and there is no carry-over.

- * Registered appraisers are not required to take the 7-hour USPAP every two years. On initial registration, appraisers are required to complete the tested 15-hour National USPAP course within the following year.

FYI: Supervisor Appraisers

State Licensed or Certified appraisers who have trainees on their staffs are reminded that any work experience claimed for qualifying credit by a trainee after Jan. 1, 2002, will not count toward meeting the applicant's required 2,000 hours of experience unless they were State Registered at the time.

The basis for this can be found in Arkansas Code Annotated 17-14-308, which reads: (a) It is unlawful for any person not registered, licensed, or certified pursuant to

this chapter to perform any act for which registration, licensure, or certification is required. Any person acting as an appraiser within the meaning of this chapter without an appraiser classification, and any person who violates any other provision of this chapter, shall be guilty of a misdemeanor."

The Board has taken the position that any appraisal activity performed in violation of this state law will not be considered for satisfying an applicant's qualifying hour requirements.

THE APPRAISER

Publication of the Arkansas Appraiser Licensing and Certification Board, Room 430, 101 East Capitol Ave., Little Rock, Arkansas, 72201.

Telephone (501) 296-1843

Fax (501) 296-1844

E-mail - ALCB@mail.state.ar.us

Website - www.state.ar.us/alcb

Nikki Bradley	Fayetteville
C. Wayne Coats	Conway
Richard Gillespie	Little Rock
David Reinold	Russellville
Fred Rausch	Fort Smith
Virginia Risinger	Strong
Isaac Ross	Little Rock
Thomas Scott	Little Rock
Richard Stephens	Little Rock

All inquiries, including those about copy deadlines, should be directed to the above address and telephone number to:

Jim Martin Editor

Technical editing by:

Carol Griffie

Editorial Services, Inc.

Little Rock, Arkansas

SUBSCRIPTION: \$10 a year

"The Appraiser" is seeking timely articles or comments on practical appraisal subjects of interest to both residential and nonresidential appraisers from appraisers, lending institutions, and other mortgage lenders. The articles or letters should be sent to the Board's office at the above address.

Scott Appoints Board's Standing Committees

Chairman Tom Scott recently reconstituted the three standing committees for the Arkansas Appraiser Licensing and Certification Board.

The busiest of the three panels is the Education, Experience Examination Review Committee, which is being chaired by Richard Stephens. Its members are Nikki Bradley, Scott McKennon, and Fred Rausch.

The committee reviews all first time qualifying and continuing education course offering applications as well as the biennium review of previously approved course offerings, assesses an applicant's experience and knowledge of the appraisal process by conducting a personal interview, and it provides guidance and input to the staff in developing the annual "Day With the Board" seminar.

The Budget and Finance Committee is the agency's "eyes and ears" on the often complex state budgeting process. It provides continuing oversight on the Board's investments and monitors its monthly cash flow statements.

Scott named Richard Gillespie to chair this committee whose members are Wayne Coats, Nikki Bradley, and Isaac Ross.

The Rules, Regulations and Policy Committee functions largely on call and is responsible for developing any new or amended rules and regulations to comply with state law and national guidelines.

Scott McKennon chairs this committee, and its members are Fred Rausch and Virginia Risinger.

In addition to serving on one or more standing committees, attending full Board meetings and disciplinary hearings, Board members frequently are called on to participate on Probable Cause Panels and Non-Judicial Hearings to hear complaints, as well as conduct individual assessment interviews in advance of an applicant testing for a license.

Being a member of the Arkansas Appraiser Licensing and Certification Board is a time consuming endeavor that speaks volumes about a member's commitment to his or her appraisal profession.

FYI —

The Appraisal Standards Board has noted that "recertification of value" and "appraisal update" are terms that often are used interchangeably but should not be because they have different meanings.

An "Update" is a new appraisal assignment involving a property that previously was appraised, and the same USPAP requirements apply as to any other appraisal assignment.

A "Recertification of Value" is done to confirm whether the conditions of a previous assign-

ment have been met. A "Final Inspection" is one example of this. When an appraiser is asked to complete a "Final Inspection," he is confirming whether the conditions established in an assignment have been met. "Final inspections" commonly are used for proposed construction where an appraisal was completed subject to completion per plans and specifications. See AO-3 for additional advice on updates of previous assignments.

Oops!!! We're Sorry

In the last issue of "The Appraiser," we wrote about the appointment of several new Board members and inadvertently renamed one of them C. Wagner Coats under his Page 1 photograph. Obviously, his name is **C. Wayne Coats**.

We apologize for this unfortunate glitch. Readers also are encouraged to take note of the fact that the Board's new senior citizen representative goes by the name *Wayne* as referenced throughout the article.

Value from page 1

add to your problems by producing work that will come back to haunt you.

Dealing with your emotions and personality often presents other problems.

Sometimes the buyer, seller, or lender can apply pressure without even knowing it by playing on your sympathy. They also might get on your nerves, causing you to have negative thoughts that can show up in your appraisal analysis.

We must distance ourselves from our emotions at times like these. This is not always easy, but it is always imperative. If you realize you can't be objective, then walk away from it! It's this type of situation that can reach out and bite you.

Many of you may not be familiar with the complaint process, which is:

When a complaint comes into the office, the appraiser or appraiser(s) is notified by mail as soon as possible. The letter informs the appraiser (respondent) that a complaint has been filed, and there

is a copy of the complaint included along with information about the appraisal(s) involved.

Within 30 days, the appraiser is asked to provide the Board with a "true" copy (exactly like that provided to the client) of the report along with *everything* that is in the work file and a written response to the allegations made in the complaint.

The sooner the appraiser can respond, the better. If the appraiser wants to take a few days to think about the situation, it is a good idea to call and let me know this rather than waiting until the last minute to respond.

After the response is received

and all preliminary investigatory work completed, the complaint is presented to a Probable Cause Panel made up of at least two Board members. The Panel makes a recommendation to the full Board about whether the case should be: (1) dismissed; (2) referred to a Non-Judicial (informal) Hearing; or (3) referred to a Full Board (formal) Hearing. The appraiser will be notified of the Panel's decision.

If a complaint is filed against you, it is best to remember (1) don't panic, and (2) cooperate in every way possible. Everything goes much better for all involved if you handle it this way.

A Reminder!

The Arkansas Appraiser Licensing and Certification Board office has moved. The new location and mailing address is:

**101 E. Capitol Ave., Suite 430
Little Rock, Arkansas 72201**

Telephone, fax, and e-mail addresses remain the same.

You Could Get Caught Short June 30

It is not too early for Licensed and Certified appraisers to be thinking about scheduling their attendance at a 7-hour AQB-approved USPAP Update course that must be completed before the next license renewal deadline on June 30, 2004.

To be accepted for license renewal, the 7-hour USPAP course must have been taught by an instructor certified by the Appraiser Qualifications Board (AQB). There are only three of these instructors in Arkansas. This means, of course, that op-

portunities to take the course in state necessarily will be limited.

The 15-hour National USPAP course, with or without an exam, will substitute for the 7-hour Update course and contribute to the appraiser's total CE requirement. *Licenses will not be renewed of those who fail to complete a 7-hour USPAP course taught by an AQB-approved instructor by next June 30.*

It is *critical* that appraisers begin making plans to take the 7- or 15-hour National USPAP course as they become available and

not wait until June.

It also is the individual appraiser's responsibility to send certificates received for continuing education credit for this course to the Board's office. The form comes from The Appraisal Foundation, NOT from the instructor.

In addition, registered "appraisers-in-training" who take the 15-hour National USPAP with the expectation of meeting qualifying education requirements must take the exam for it to do so.

Questions and Answers From the ASB

Question: Is it true Advisory Opinions are not part of the Uniform Standards of Professional Appraisal Practice (USPAP)?

Answer: It is true. Advisory Opinions, which are published in the same document as the Standards and Statements, are a form of "other" communications issued by the Appraisal Standards Board (ASB). They are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice for resolving appraisal issues and problems.

Question: A client has asked that I perform a limited appraisal with the only departure being omission of the cost approach. I have determined that while the cost approach is applicable, it is not necessary to develop a credible appraisal. Although I am not reporting it, must I develop and retain a copy of the cost approach in my workfile?

Answer: No. USPAP does not require appraiser to develop or retain a cost approach in this situation. The Record Keeping section of the ETHICS Rule states, in part: *...the content of a workfile for a Limited Appraisal need only reflect consideration of the USPAP requirements from which there have been no departure and that are required by the specific Limited Appraisal assignment.*

Question: Can an appraiser use any type of hypothetical condition in developing an appraisal?

Answer: No. The *Comment* to Standards Rule 1-2(h) states: *A hypothetical condition may be used in an assignment **only** if (its use) is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; (its use) results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.* (Bold added for emphasis.) Standards Rules 7-2(h) and 9-2(g) contain similar *Comments*.

Question: I delivered an appraisal report to my client. A week later, an entity other than one of the identified intended users contacted me and asked me to provide a "reliance letter," enabling them to rely on the appraisal report for their investment purposes. My client says they have no problem with my doing that. Can I provide this entity with such a letter even though I had not originally identified them as an intended user?

Answer: No. You cannot add what is, in effect, a new "intended user" after completing an assignment, no matter what terminology you use.

USPAP defines Intended User as: *The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or*

appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (Bold added for emphasis.)

The proper way to handle this is to initiate a new assignment with this entity as the client and provide it an appraisal, being careful to develop an appropriate scope of work consistent with its own intended use.

The new assignment could be based on virtually the same data and analysis, and the value conclusions might be the same. However, in the new assignment, you must consider the assignment parameters most appropriate to the scope of work for that client and the assignment, which could well be different from those of your previous client.

Question: I received a request to update an appraisal I previously completed. The original report was issued as a Self-Contained Appraisal Report. Am I required to use the same reporting format in my update?

Answer: No. Advisory Opinion 3 (AO-3) states, in part: *The new report is not required to have the same level of detail as the original report—i.e., a different reporting option may be used.* However, the new report must contain sufficient information to be meaningful and not misleading to the intended users. (Bold added for emphasis.)

Board Adds NW Arkansas Seminar Site

Attendance at the agency's annual "Day with the Board" has surpassed the capacity of the North Little Rock facility to comfortably handle the crowd, prompting the Board, acting at a recent meeting on an Education committee recommendation, to add a seminar location in Northwest Arkansas.

The Wyndam Hotel in North Little Rock will continue to have the most capacity for the seminar, and it will be filled on a "first come - first served" basis as in the past.

However, some of the pressure may be relieved by repeating the seminar in the Fayetteville Rogers area because appraisers from that region can choose to attend it, and those who can't get into the North Little Rock facility will have the option of going to the one in Northwest Arkansas.

As usual, the one-day seminars will be held in April, but not on the same day.

Executive Director Jim Martin said preliminary plans are being made for the two-location seminar format and information will be disseminated soon.

STATUS REPORT

As of Sept. 22, 2003, Board records show these totals for appraisers:

State Certified General	404
State Certified Residential	321
State Licensed	121
State Registered	415
(includes temporary and non-resident appraisers)	

Next Licensing and Certification Exam

APRIL 3, 2004

*Deadline To Apply
is Feb. 2, 2004*

Potential applicants should contact the Board's staff for current information about the application process, exam schedules, fees, and other licensing matters by calling (501) 296-1843, or visiting its website at www.state.ar.us/alcb/ or write the Board at 101 E. Capitol Ave., Suite 430, Little Rock, AR, 72201.

State Registered Renewals Due By December 31

Those who hold State Registrations are reminded that their current registrations expire Dec. 31, 2003, and should be renewed on or before that date.

In order for a registration to be renewed, the applicant **must** have completed the 15-hour USPAP course or 14 hours of continuing education approved by the Board, depending on when he or she registered. State Registered appraisers initially are required to take the 15-hour USPAP within the first full renewal cycle (See Board Rules and Regulations).

A renewal notice will be sent to all State Registered appraisers, and it will indicate whether the recipient needs to take the USPAP course or just 14 hours of approved continuing education.

Watch for this in your mail!!!

Education Providers, Offerings

Arkansas Chapter of The Appraisal Institute - Contact Jennifer Coleman at (501) 227-5781. All classes in Little Rock. "Leased Fee Value," 7 hrs., CE, Oct. 29; and "Leasehold Value," 7 hrs., CE, Oct. 30.

Arkansas Manufactured Housing Association/Appraisal Institute - Contact J.D. Harper at (501) 777-0444. "Appraising Manufactured Homes," 7 hrs. CE, Oct. 21 in Little Rock.

The Columbia Institute - Contact 1-800-460-3147 for information.

Lifetime Learning - Contact Dennis McElroy at (417) 887-2221. All classes in Springfield, Mo. "Appraisal Foundations II," 30 hrs. QE, Sept. 29-Oct. 2; "Appraisal Foundations III," 15 hrs., Oct. 27-28; "Appraisal Foundations IV," 15 hrs. QE, Nov. 24-25; and "Appraisal Foundations V," 15 hrs. QE, Dec. 15-16.

The Lincoln Graduate Center - Contact 1-800-531-5333 for information.

National Association of Independent Fee Appraisers - Contact 1-800-335-1751 for information.

RCI Career Enhancements - Contact David Reinold (479) 968-7752. "National USPAP" course, 15 hrs. QE/CE, Nov. 3-4 in Russellville.

University Seminars - Contact Mickey Lee at (870) 731-8008 for additional course schedules. All classes in Benton, Ark. "Fundamentals of Real Property Appraisal," 15 hrs QE/CE, Oct. 10-11; "Appraising Single Family Residences," 15 hrs. QE/CE, Oct. 24-25; "Communicating Residential Appraisal With URAR," 15 hrs. QE/CE, Nov. 7-8.

ASB Adopts Several USPAP Changes

The tweaking is over, and The Appraisal Foundation's Appraisal Standards Board (ASB) has adopted several changes to the 2003 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

Jim Martin, executive director of the Arkansas Appraiser Licensing and Certification Board, reports the modifications do not appear to be substantive but involve some edits, deletions and restatements of Advisory Opinions while making minimum change to the development and reporting standards.

The changes that will be incorporated into the 2004 USPAP are:

- * New Advisory Opinion on the

"Normal Course of Business";

- * Edits to the PREAMBLE;

- * Retired Advisory Opinion (AO-10) and added AO-25: "Clarification of the Client in a Federally Related Transaction";

- * New Advisory Opinion-26 on "Readdressing (Transferring) a Report to Another Party";

- * Added Advisory Opinion-27 on "Appraising the Same Property for a New Client";

- * Professional assistance edits to STANDARD 10;

- * Removal of the GLOSSARY from the bound edition of USPAP;

- * Miscellaneous, including edits to the definition of "bias"; edits to the ETHICS RULE—Unethical contingencies and Record Keeping re-

quirements; and the review of restricted use appraisal reports.

A topic-by-topic analysis of these revisions may be downloaded from The Appraisal Foundation's website at

www.appraisalfoundation.org

or by contacting the Arkansas Appraiser Licensing and Certification Board.

Even though these edits and advisory opinions may not appear to affect development of an appraisal significantly, appraisers still need to be mindful of them and incorporate them into their work process.

The changes will be emphasized in a revised National 7-hour USPAP Update course.

ARKANSAS



APPRAISER LICENSING & CERTIFICATION BOARD

2725 Cantrell Road • Suite 202
Little Rock, Arkansas 72202

PRSRT STD
U.S. POSTAGE
PAID
LITTLE ROCK, AR
PERMIT NO. 1069